

BEFORE THE
TENNESSEE STATE BOARD OF EQUALIZATION

In Re: Henley E. & Joy R. Wilson)
 Ward 67, Block 99, Parcel 12)
 Residential Property) Shelby County
 Tax year 2005)

INITIAL DECISION AND ORDER

Statement of the Case

The Shelby County Board of Equalization ("county board") has valued the subject property for tax purposes as follows:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$43,000	\$140,400	\$183,400	\$45,850

On February 23, 2006, the property owners filed an appeal with the State Board of Equalization ("State Board").

The undersigned administrative judge conducted a hearing of this matter on April 6, 2006 in Memphis. In attendance at the hearing were the appellant, Henley E. Wilson, and Shelby County Property Assessor's representative Ron Nesbit.

Findings of Fact and Conclusions of Law

The property in question is an approximately 2,350-square-foot house located at 1204 East Crestwood Drive in Memphis. Originally built in the 1950s, this home includes four bedrooms; two full baths; and a central HVAC system.

The appellant believed the market value of the subject property as of the January 1, 2005 reappraisal date to be \$170,000 – about \$78.00 per square foot. Mr. Wilson based this opinion partly on the 2004 sale of a 1,975-square-foot home on the same street (1185 East Crestwood Drive) for \$175,000. If the estimated replacement cost of the detached building not found on his lot (\$20,000) were subtracted from that price, Mr. Wilson calculated, the remaining amount would equate to \$78.48 per square foot. Mr. Wilson also figured that a prospective buyer of his home would deduct from its *current appraised value* the purported \$13,500 cost of various upgrades (e.g., driveway; roof; kitchen cabinets).

But the Assessor's representative maintained that the current appraisal accurately reflected the present condition of the appellant's residence. In support of this view, he introduced an exhibit comparing the physical characteristics of this property with those of five houses of similar age and size in the vicinity that sold during the 2002-2004 period. His analysis showed that, at \$183,400, the subject property is appraised near the bottom of the range of values indicated by the unadjusted comparable sale prices (\$76.06-\$91.48 per square foot).

Tenn. Code Ann. section 67-5-601(a) provides (in relevant part) that “[t]he value of all property shall be ascertained from the evidence of its sound, intrinsic and immediate value, for purposes of sale between a willing seller and a willing buyer without consideration of speculative values....”

Since the taxpayers are seeking to change the present valuation of the subject property, they have the burden of proof in this administrative proceeding. State Board Rule 0600-1-.11(1).

Respectfully, after reviewing all the evidence of record, the administrative judge is not persuaded that the value established by the county board was excessive. At most, the contributory value of the detached existing building on the appellant’s East Crestwood Drive comparable would presumably be the *depreciated* replacement cost of that building – not its estimated replacement cost *new*. A prospective buyer might well consider the expense of remedying the other deficiencies in the subject property perceived by Mr. Wilson. However, the market value of a property cannot be determined by deducting the estimated cost of repairs or upgrades from a disputed *appraised value* of the property; for that methodology would only beg the question of whether such value takes all accrued depreciation into account. Rather, in the cost approach to value, depreciation must be deducted from the estimated replacement (or reproduction) cost of the building. See International Association of Assessing Officers, Property Assessment Valuation (2nd ed. 1996), pp. 128-129.

Order

It is, therefore, ORDERED that the following values be adopted for tax year 2005:

LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	ASSESSMENT
\$43,000	\$140,400	\$183,400	\$45,850

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-301—325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:

1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tennessee Code Annotated § 67-5-1501(c) provides that an appeal **“must be filed within thirty (30) days from the date the initial decision is sent.”** Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **“identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order”**; or
2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is

requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review.

This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 5th day of May, 2006.



PETE LOESCH
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF STATE
ADMINISTRATIVE PROCEDURES DIVISION

cc: Henley E. Wilson
Tameaka Stanton-Riley, Appeals Manager, Shelby County Assessor's Office
Rita Clark, Assessor of Property

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